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INTERNATIONAL ASSISTANCE FOR THE REHABILITATION AND RECONSTRUCTION OF NICARAGUA: AFTERMATH OF THE WAR AND NATURAL DISASTERS

Report of the Secretary-General

I. INTRODUCTION

1. At its fiftieth session, the General Assembly adopted resolution 50/85, of 15 December 1995, entitled "International assistance for the rehabilitation and reconstruction of Nicaragua: aftermath of the war and natural disasters". In that resolution, the Assembly, concerned at the burden of the foreign debt on a country attempting to overcome the consequences of war and the economic effects of drought, excessive rain and other natural disasters, requested the Secretary-General, in cooperation with the relevant organs and organizations of the United Nations system and in close cooperation with the Nicaraguan authorities, to continue to provide all necessary assistance to activities for the reconstruction, stabilization and development of Nicaragua.

2. In its related resolution 50/132 of 20 December 1995 entitled "The situation in Central America: procedures for the establishment of a firm and lasting peace and progress in fashioning a region of peace, freedom, democracy and development", the General Assembly expressed its appreciation of the work of the Support Group for Nicaragua, which, under the coordination of the Secretary-General, is playing an active role in supporting the country's efforts towards economic recovery and social development.

3. The present report is submitted pursuant to paragraph 9 of General Assembly resolution 50/85.

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4. In Nicaragua, 1996 is an election year. On 20 October, elections will be held for President, the Legislature, local authorities and the Central American Parliament. These elections should mark the final consolidation of democracy and national reconciliation in Nicaragua, a process which began with the Esquipulas Summits in the 1980s and in which the milestones were the 1990 elections, the demobilization of the "contras" and the reduction and restructuring of the former Sandinista army. Many obstacles had to be overcome in this long process, such as the disbanding of armed groups made up of former combatants (with the related problem of their difficult and still incomplete reintegration), constitutional disputes and the thorny issue of property.

5. Nicaragua is entering this election period with undeniable economic achievements to its credit. Price stability has been maintained and the necessary framework for a market economy established. In 1995, the inflation rate was 11 per cent and the gross domestic product (GDP) continued the recovery begun in 1994 (3.3 per cent), standing at $1,949,000,000 and representing growth of 4.2 per cent (Central Bank), which substantially outstripped population growth, estimated at 2.9 per cent. Stabilization, continued, however, to depend on external assistance, which amounted to $517,000,000. With the large increase in exports (48.1 per cent), to $520,000,000, and only a slight rise in imports, the trade deficit was reduced. Nevertheless, however, this deficit was still $327,000,000 (Central Bank), to which must be added the burden of foreign debt on the balance of payments. Thus, priority debt servicing absorbed 50 per cent of export earnings, while theoretical debt servicing would have represented 130 per cent of exports of goods and services.

6. The international community has lent its support to the renegotiation of Nicaragua's external debt and has pledged to continue its assistance. Still one of the highest in the world in per capita terms, the debt declined from $11.7 billion in 1994, to $9.8 billion in 1995 (Central Bank) as a result of a reduction in the commercial debt following a buyback of around $1.3 billion out of a total debt of $1.7 billion and the renegotiation of the $1.28 billion debt to the Paris Club, through the forgiveness over and above the 67 per cent of renegotiable debt provided for in the Naples terms. The participants in the Consultative Group Meeting for Nicaragua, held in Washington, D.C. on 7 and 18 June 1996, reaffirmed their support for the transition process in Nicaragua with pledges of $600,000,000 for 1996 and $1.8 billion for the period 1995-1997, with a view to reducing Nicaragua's balance-of-payments deficit over the next three years and pursuing the debt renegotiation strategy. It is to be hoped that progress achieved in resolving the property issue and the problem of external debt will improve the situation of private investment, which has recovered only slightly.

7. With regard to the external debt, it is also relevant to point out the Declaration of the Support Group for Nicaragua of 16 April 1996, which considers that, within the framework of a sound and responsible macroeconomic policy that encourages domestic savings, resources released as a result of a comprehensive approach to the debt problem should be used to support productive and social development. Alleviation of the external debt burden would thus help to eliminate widespread poverty among the Nicaraguan population.

8. The Support Group also indicated that multilateral organizations should play a major role in solving the debt problem, not only by offering advice and providing financing to support the balance of payments but also by considering a reduction in the growing burden of the payment obligations of a country like Nicaragua to the international financial institutions themselves.

9. In turn, peace and democracy in Nicaragua have been progressively consolidated. This is reflected, in particular, in the sharp reduction in political violence (although the phenomenon of banditry and the abductions of election observers and officials which have punctuated the electoral campaign are still causing concern), the high level of public freedom, the increasingly independent functioning of the branches of Government, the strengthening of local authorities and the reduction and conversion of the armed forces. Specific examples of this consolidation include the commitments reached on the complex issue of property (see A/50/535, para. 9), on the appointments to high-level posts in the administration (including the President of the Supreme Electoral Council) and on the conduct of the electoral campaign; the acceptance by three presidential candidates of the decision against them by the Supreme Electoral Council is added proof of the increasing maturity of the political system.

10. These achievements are recognized by the population at large. Thus, various opinion surveys all cite pacification as the Government's main achievement. Political democracy is still important to the vast majority, approximately 80 per cent of whom indicated their intention to vote in the upcoming elections.

11. According to the same surveys, however, the confidence of most people in the political institutions (branches of Government and political parties) has not been sufficiently consolidated to guarantee stability. This lack of confidence in democratic political institutions surely has to do with the inability of democracy, thus far, to offer most Nicaraguans a substantive improvement in their standard of living. Poverty, the decades-old problem, is still afflicting broad sectors of the population, whose concerns relate above all to questions of employment and income, or rather the lack thereof. Nicaragua's social indicators lag considerably, for reasons which date far back in time, and it is faced with a combination of macroeconomic balance and high unemployment. While the country's economic growth has resumed, the impact of this growth on employment and underemployment indicators has not been proportionate. Unemployment remained virtually unchanged at levels of 20 per cent in 1993 and 1994, despite the economic growth; in 1995, unemployment dropped to 18.2 per cent of the economically active population, but underemployment rose and the overall rate of under-utilization remained practically unchanged at 53 per cent of the economically active population (Central Bank). A particularly alarming consequence of this imbalance is the difficulty in reintegrating demobilized former combatants, which has continued to fuel high rates of banditry and criminality, particularly in the centre and north of the country.

12. It is against this backdrop that the country is entering the election period. These elections should help to consolidate democracy in Nicaragua; however, that depends not only on the transparency with which they are

conducted, but also on whether the electoral debate addresses what the majority of the Nicaraguan people consider to be urgent topics. In short, at this time, the best way to make democracy take root in Nicaragua is by using the electoral debate to generate a consensus on a long-term development strategy that would improve conditions for the majority and thus strengthen the people's confidence in democratic political institutions as tools for building a better way of life. The international community can not only stimulate this national debate, but also ensure that it is not stifled or limited by the conditions, established for the provision of international assistance.

II. ACTIVITIES OF THE UNITED NATIONS SYSTEM IN NICARAGUA PURSUANT TO GENERAL ASSEMBLY RESOLUTION 50/85

13. The following describes the activities of the United Nations system in Nicaragua during 1995-1996.

A. United Nations Development Programme

14. The activities carried out by the United Nations Development Programme (UNDP) in support of reconciliation, pacification, democratic governance and economic and social development include:

(a) Secretariat of the Support Group for Nicaragua. The Support Group for Nicaragua, whose establishment the General Assembly welcomed with interest in resolution 48/161 of 20 December 1993 and whose work it recognized in its resolution 50/85, consists of the Governments of Canada, Mexico, the Netherlands, Spain and Sweden, with UNDP serving as technical secretariat. The objectives of the Group are to inform the international community of progress achieved in the Nicaraguan process and to support national consensus-building;

During the dispute among the branches of Government on constitutional reform, the Support Group provided a framework for negotiation which led to a truce in the war of propaganda. This, in turn, contributed to the agreement reached in July 1995, with the Cardinal of Nicaragua as guarantor;

Subsequently, in its report on activities of December 1995, the Support Group for Nicaragua addressed the subject of external cooperation, indicating that its effectiveness depended largely on its coordination and on the priority assigned to it by the recipient country. Thus, it is important to consider such factors as: the specific characteristics of a country in a post-war situation; the extremely demanding prerequisites for assistance which impede the emergence and development of national actors; the high percentage of assistance earmarked for debt payments; its channelling solely through the Government; the establishment of a culture of dependence on external assistance; the centralization of such assistance; the focus of assistance on consumption rather than on reactivating production; the need for new forms of cooperation such as support for the political training processes; the involvement of donors in the orientation and control of cooperation while respecting the culture and priorities of the recipient country; and the harnessing of the potential of the

donor community for bringing about national understanding on long-term objectives and strategies;

As indicated above, in its Declaration of 16 April 1996 the Support Group also addressed Nicaragua's external debt (see paras. 7 and 8);

(b) Solution to the property issue. On 4 July 1995, UNDP, which since 1994 has been operating a project to support a solution to this problem with input from various bilateral and multilateral sources, organized, in association with former President Carter of the United States of America, a meeting of all the Nicaraguan actors involved: branches of Government, beneficiaries of agrarian and urban reform, owners of confiscated lands, holders of indemnification bonds, agricultural associations and political parties. Basic agreements were reached that enabled the National Assembly to adopt the Property Act which entered into force on 30 November 1995. The Legislature also passed legislation on the privatization of TELCOR, the telecommunications agency, whose earnings will be earmarked as collateral for the above-mentioned indemnification bonds;

(c) Support for the reintegration of former combatants. An integral project for consolidating peace was launched, basically designed to improve the conditions of public security in 25 municipalities of the former conflict zone, support the social and economic integration of 9,000 demobilized troops and launch a government coordination unit to deal with these populations and regions. With the support of the Government of Canada, credit and housing modules were initiated while the training and strengthening of security forces (National Police) module will be implemented with the support of the Government of Sweden;

(d) Strengthening of the judiciary. The second phase of this project, launched with the support of the Government of Sweden, should ensure coverage of the entire country; it provides for the building of courts in all municipalities and the training of judges and other personnel. Similarly, the Institute of Forensic Medicine will be developed with funds for governance from the Government of Spain;

(e) Project to support a poverty reduction strategy. Within the framework of the World Summit for Social Development and the Alliance for Sustainable Development, with its own funds and funds from the Government of Sweden, this project promotes the development of a poverty reduction strategy based on a consensus among the various national sectors by creating a framework for dialogue and the exchange of experience and information;

(f) Activities in support of the electoral process. In conjunction with the previous project, UNDP is seeking to strengthen the discussion of poverty and development in the current Nicaraguan electoral debate, for example, by conducting surveys on the people's needs and expectations which will be shared with the political parties. In addition, with the support of Sweden and Spain, a project to strengthen the electoral process at the local level has been initiated. It comprises training and dissemination activities at the local level and the promotion and standardization of an orderly succession in the

municipal governments. A project on training National Police personnel in human rights and electoral issues is also being carried out;

(g) Support to the Alliance for Sustainable Development through the Programme for Sustainable Human Development at the Local Level (PDHSL). A Central American inter-agency meeting in Nicaragua established the framework for this regional project, which will begin operating with resources from UNDP and the Government of Italy;

(h) National capacity-building for democratic governance. UNDP has supported a Central American initiative to establish a Central American Network for Democratic Governance, which would act as an internal regional mechanism for dialogue and concerted action and would also help to identify weaknesses in the functioning of the Government which might be responsive to specific training activities;

(i) Natural disasters. On the basis of the experience of previous years (see A/50/535, para. 21 (d)), the design was completed for a pilot plan for disaster prevention and management in the Autonomous Region of the North Atlantic, the most vulnerable in the country;

(j) Environment. In cooperation with the World Bank, UNDP is assisting with the demarcation of the Meso-American Biological Corridor and the Biological Corridor of the Atlantic in Nicaragua, especially for the purposes of the Global Environment Facility (GEF). It is also continuing its support for the Network for Sustainable Development in Nicaragua. A pilot project on ecotourism on the Lago de Nicaragua has also been launched;

(k) Support for the reactivation of production. Various projects in this area were continued, in particular: the rural financial services programme, which seeks to channel credit on appropriate terms to small and medium-scale rural land-owners; the attenuation of the impact of structural adjustment on farmers and producers in general, with matching funds from the Government of Japan; the strengthening of the Centre for Exports and Investments (CEI), with the participation of the private sector; and support for the agricultural programme and the agricultural statistics system;

(l) Institution-building in the Government. Support for various government institutions was continued through the following activities:

- In cooperation with the Ministry of Culture, a project to recover, preserve and promote the cultural heritage and formulate a National Cultural Plan;

- The strengthening of the Nicaraguan Public Administration Institute;

- The strengthening of the Ministry of Finance, and the Plan to strengthen the Tax Administration within the Ministry of Finance;

- The development of the national public investment system within the Ministry of the Economy and Development;

- Support for the system of external cooperation and support for the negotiation of resources for cooperation within the Ministry of External Cooperation;

- Support for the National Council of Universities;

(m) Strengthening of local government and participation of civil society. In particular, the following actions were taken:

- The project to strengthen and develop the municipalities was continued;

- Phase II of the unified municipal land register system was launched;

- Community development was consolidated for the purpose of creating participatory mechanisms throughout the national territory;

- Support was given to the Emergency Social Investment Fund;

(n) Human settlements. In conjunction with the United Nations Centre for Human Settlements, support was given to the strengthening of the National Commission on Housing and Human Settlements, and the construction of housing with unconventional local materials was promoted;

(o) Gender. In conjunction with the Nicaraguan Women's Institute, support was given for Nicaraguan participation in the Fourth World Conference on Women and for the promotion of women's equitable participation in public and private decision-making bodies.

B. Specialized agencies and other bodies of the United Nations system: contributions in different fields

15. The paragraphs that follow provide a brief description of the activities of United Nations specialized agencies and bodies other than UNDP.

1. United Nations Children's Fund

16. UNICEF activities include the following main programmes:

(a) Integral social development policy. This programme promotes women's quality of life and the enjoyment of rights by boys and girls through activities such as policy-making, the allocation and implementation of social expenditure, communication, follow-up and monitoring of the situation of women and boys and girls;

(b) Water and environmental sanitation. Promotes drinking water supply, basic sanitation, health education, personal hygiene and environmental hygiene and protection by supporting the construction of water and sanitation systems, institution-building, community promotion and the transfer of technology;

(c) Primary education. Its goals are institution-building and the provision of services to boys and girls who are outside the school system. To that end, it provides training, coordination, monitoring and evaluation, technical and financial support, materials and equipment;

(d) Services for boys and girls in especially difficult circumstances. Programme goals are institution-building, awareness-building and social communication, research and systematization of new processes and the provision of education and services to boys and girls who require special protection;

(e) Integrated basic services. Provides primary health care; pre-school, primary and adult education; water and sanitation; services for boys and girls in especially difficult circumstances; and activities for women aimed at ensuring their participation and organization, and increasing their income, in particular, in the northern zone of the country;

(f) Health and nutrition. The programme goal is to reduce inequalities in the survival and development of girls, boys and women in the poorest communities through immunization, the control of diarrhoeal disease and respiratory infections, maternal and child health, women's health and support for integrated local health-care systems (SILAIS).

2. United Nations Capital Development Fund

17. Reconstruction and rehabilitation are in progress on the aqueduct at Quilalí, a town which was at the centre of the armed conflict.

3. World Health Organization/Pan-American Health Organization

18. The main programmes are:

(a) Health policies and information on health. The programme goal is to build national capacity for formulating and implementing health policies by strengthening the legal bases of the health system, awareness-building on violence against women as a health problem, and health information;

(b) Support for the management and coordination of cooperation programmes in the field of health from the Central American regional perspective of strengthening integration organs;

(c) Expanded immunization programme. Seeks to control, eliminate or eradicate diseases which are preventable through immunization and to improve monitoring;

(d) Improvement of the quality of health services. Seeks to establish a high-quality programme in SILAIS which takes an integral approach to technology, management strategies and health care;

(e) Health policies and information on health. Seeks to improve the quality of the strategic health administration process through the management and training of human resources on the job and in training centres;

(f) Development of a model for integral maternal and child health care services;

(g) Promotion of health and nutrition. Seeks to promote healthy lifestyles at the individual, family and group level in an urban environment;

(h) Environmental health and pesticides. Seeks to reduce the health risks caused by the use of pesticides, poor water quality and inadequate environmental hygiene. Multi-institutional involvement is encouraged in order to find a solution;

(i) Communicable disease prevention and control. Seeks to build the capacities of SILAIS and of programmes or systematic activities to prevent or control communicable diseases.

4. United Nations Population Fund

19. The main programmes are:

(a) Support for the elaboration of the national population policy with technical and financial assistance and support for the consultation process leading to its consolidation and approval;

(b) Support for the work of national non-governmental organizations (NGOs) in the field of reproductive health and the training of volunteers in reproductive health and family planning;

(c) Training of health workers in the field of reproductive health, installation of equipment and provision of contraceptives in coordination with other donors and NGOs;

(d) Activities addressed to adolescents. Prevention of teenage pregnancy.

5. Food and Agriculture Organization of the United Nations

20. FAO is running a programme on the conservation and management of natural resources and reforestation with community participation in mountainous areas (Cordillera de los Maribios). Its goal is to improve the living standard of the hillside farmers, on the basis of rational and sustainable management of natural resources and the environment.

6. World Food Programme

21. The main programmes are:

(a) Socio-economic rehabilitation of the population affected by the war. Includes support for food production, soil conservation and reforestation, road repair, self-help housing and sanitation facility construction, and communal aqueducts;

(b) Promotion of dairy farming. Promotion of dairy farming among small farmers through a credit fund established with matching resources received in payment for donated dairy products;

(c) Integrated assistance to preschool children through day-care centres. Includes the opening of new preschool centres, the promotion of community participation, teacher training and the introduction of new educational concepts in health and nutrition.

7. International Atomic Energy Agency

22. IAEA has collaborated in the area of training and in the installation of a physics laboratory specializing in radiation and metrology, and is promoting projects involving isotope studies of aquifers in the western part of the country and mathematical modelling of the aquifer in Los Sierras.

8. United Nations International Drug Control Programme

23. The United Nations International Drug Control Programme supports the formulation of a national master plan for drug prevention and control in Nicaragua.

9. United Nations Educational, Scientific and Cultural Organization

24. UNESCO continues to support the Ministry of Education in improving the quality of education. It provides support for publications of the Ministry of Education, the Adult Literacy and Basic Education Network and the promotion of a culture of peace.

10. International Labour Organization

25. ILO is preparing to initiate support for the eradication of child labour.

11. United Nations Industrial Development Organization

26. UNIDO supports the establishment and operation of micro- and small-scale industries, using the system of flexible specialization.

12. Office of the United Nations High Commissioner for Refugees

27. UNHCR supports the legal integration and voluntary repatriation of refugees and training activities on asylum and in the field of human rights.